

Memorandum

To: Panel Members Date: October 24, 2002

From: Charles Rufo, Manager
Peter DeMauro, General Counsel Analyst: S. Joyce

Subject: One-Step Agreement for **Pac-West Telecomm, Inc. (SET/HUA)**
(www.pacwest.com)

CONTRACTOR:

- Training Project Profile: SET-Workers in High Unemployment Areas
Retraining: companies with out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Services
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
 - Company Wide: 417
 - In California: 399
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$452,320
- Substantial Contribution: \$0
- Total ETP Funding: \$452,320
- In-Kind Contribution: \$490,193
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Joaquin, Napa, Sacramento, Alameda, Santa Clara, Los Angeles, San Diego, San Francisco, Orange
- Duration of Agreement: 24 Months

SUBCONTRACTORS:

Gateway Stockton, California, \$30,000, for Business Skills training.

Global Knowledge, San Mateo, California, \$25,740, for Advanced Technology training.

New Horizon, Lathrop, California, \$59,000 for Computer Skills training.

Quilogy, Roseville, California, \$20,050 for Advanced Technology training.

ACTIVE PROJECTS:

The following are current project statistics:

Agreement No.	Term	Agreement Amount	Number To be Retained	Number Enrolled	Number Completed Training	Number Hired (Complete for new hires only)	Number retained for 90 days
ET01-0129 Retrainee	9/01/00- 8/31/02	\$511,760	555	666	457		457*

*Contractor has not invoiced for final payment. Monitoring analyst anticipates 86% success.

NARRATIVE:

Pac-West Telecomm, Inc. (Pac-West) is eligible for ETP funding under Title 22, California Code of Regulations (CCR), Section 4409(a) Special Employment Training for frontline workers who earn at least the state average hourly wage and Section 4409(a)(5) for workers in high unemployment areas. Additionally, the Contractor is eligible for ETP funding under Title 22 CCR 4416(d)(1) Standard Retraining for the corporate headquarters in Stockton, California in San Joaquin County. Trainees employed at the company's corporate headquarters provide a service in California in competition with providers of the same service who are located outside the state.

Pac-West Telecomm, Inc. is a provider of integrated communications services throughout the western United States. Founded in 1980 and headquartered in Stockton, California, Pac-West was the second company in California to obtain approval to operate as a Competitive Local Exchange Carrier (CLEC) in 1996.

Currently Pac-West focuses on two distinct customer functions: dial-up access to service providers and enhanced service providers and integrated voice, data, and Internet services to small and medium-sized enterprises (SMEs). For SMEs, Pac-West designs, installs, and maintains telephone equipment and provides bundled local, long-distance, and data services. Pac-West targets businesses and institutions with 100 or fewer employees.

NARRATIVE: (continued)

Pac-West is a significant contributor to the California economy. Current estimates indicate more than 20% of all Internet traffic in California is carried over Pac-West's network. Over 85% of the nation's largest Internet Service Providers use Pac-West's local access numbers to provide dial-up Internet access.

The current volatile business environment provides opportunities for Pac-West. Furloughs and business closures in the CLEC business, as well as internal efforts to increase network reliability, reduce service delivery time and offer superior customer service have benefited Pac-West. In the second quarter of 2002 net line growth exceeded 62,000 lines. This is a growth of more than 24% in a single quarter.

The telecommunications industry is a dynamic one; at Pac-West, however, employee training has not kept up with the pace of change. In certain areas the company is working from an outdated paradigm, such as in Customer Service and Sales. The proposed training will provide new and more effective ways to interact with customers and create a culture of service within the company. Pac-West also seeks training to assist employees in identifying, documenting, and implementing process changes that will remove roadblocks to high performance. As new software and technologies have been introduced, self-taught employees provided on-the-job training to other team members. As a result, employees generally underutilize tools and perform at a minimum level of proficiency that is not conducive to a high-performance workplace.

Training will provide employees with skills to move towards a customer focus approach at Pac-West by developing recognition of customer needs and anticipating customer expectations.

Business Skills training will serve the Customer Support Specialists, Customer Service Supervisors, Field Account Managers, Order Coordinators, Accounting, Staffing and Human Resources Development, Regulatory, Administrative Assistants, Project Managers, Dispatchers, Billing, Facilities, Marketing, Field Technicians, System Design Specialists, Sales Coordinators, Account Executives in Jobs 1-4, 7, 8.

This training will provide employees with the skills to move into the new customer-centric approach at Pac-West by developing recognition of customer needs and ultimately anticipating customer expectations. Trainees will be able to align company services with customer needs, build interaction, create customer loyalty, develop telephone and negotiation skills.

Employees will receive training in speaking skills, writing skills, dealing with difficult customers, attitude, taking ownership and action. Courses in leadership skills, including coaching techniques, will develop a community of leaders in every level of the company. Since most telecomm companies have the same basic products and services to sell, these skills will allow Pac-West employees to provide superior customer service and surpass the competition.

Computer Skills training will serve the Customer Support Specialists, Customer Service Supervisors Order Coordinators, Accounting, Staffing and Human Resources Development, Regulatory, Administrative Assistants, Project Managers, Dispatchers, Billing, Facilities, Marketing, Field Technicians, System Design Specialists in Jobs 1, 3, 4.

Software training, including the suite of Microsoft products and internal software programs will establish a common language for efficient and accurate communication through orders, reports, databases, presentations, and documents. Training will develop the trainees' ability to use software and increase

NARRATIVE: (continued)

personal and business productivity. Software proficiency will allow trainees to identify areas that can become more efficient through process improvement and documentation. Role-playing scenarios in the class/lab environment will reinforce the skills taught in class and may be used by trainees when performing daily tasks.

Continuous Improvement training will be provided for Order Coordinators, Accounting, Staffing and Human Resources Development, Regulatory, Administrative Assistants, Project Managers, Dispatchers, Billing, Facilities, Marketing; Field Technicians, System Design Specialists in Jobs 3 and 4.

Continuous Improvement training will allow Pac-West to function more efficiently. Trainees will perform team-building exercises. The training will assist employees to identify, document, and implement process improvements throughout the organization. Project Management courses will be given to allow employees to manage portions of new company focus seeking to further differentiate the company and increase its commerce in California. The result of this training will include development of new products. To support this initiative, trainees will receive instruction in Process Improvement and Strategic Planning skills.

Advanced Technology training will serve Central Office Technicians, Sales Engineers, Provisioners Network Engineers, Network Planners, Research & Design Technicians, Surveillance Technicians and Information Technology in Jobs 5 and 6.

Since the services provided by Pac-West to customers are complex, the systems needed to process orders are equally complex and developed in-house. Those responsible for system development generally lack the expertise for this extensive project, creating a demand for training in Cold Fusion, Workflow Management Systems, Solaris, and SQL Databases. All order information must be billed promptly and accurately by the company's Oracle systems; therefore, Oracle training is needed to ensure order data is fed to Oracle without corruption. Classes to be provided include Alcatel, Glenayre, Network Troubleshooting, Cisco Networks, and Inter-Networking. Pac-West also desires to provide cutting-edge technologies to often-underserved small and medium-sized enterprises. The company is looking to Internet Protocol (IP) technologies, such as Voice-Over IP (VoIP), to provide new, and customize existing, business solutions. The staff in Research and Design will receive Cisco Networks training to increase understanding in this area. By training the skills listed above, Pac-West expects to drive growth in the California economy through reliable, cutting-edge telecommunication services delivered in time and without flaw.

Courses to be delivered under the Advanced Technology category qualify for the \$20 per-hour amount to be reimbursed by the Panel. Most courses are leading to certification in a technical area, such as Cisco Certified Network Associate (CCNA). Employees must complete pre-work or have prior experience in the area to successfully complete the course. Courses include labs that allow trainees to practice and develop skills in a supervised environment. The practice equipment includes routers, servers, and software. Certificated trainers conduct courses. Because of the low ratio of students to instructors, 1:10 or less, combined with the cost of obtaining an instructor and the equipment for the laboratory section of the course, per-student course costs are much higher than seen in other curriculum areas. The average cost to deliver this training is \$525 per day for each student.

NARRATIVE: (continued)

Supplemental Nature of Training

Pac-West's past training has been modest, consisting primarily of job shadowing and on-the-job training. Since the completion of the prior Agreement the company has offered ongoing training to their employees on various Product offerings, which included an overview of products offered to customers and their special qualities. Also, since August 2002, Pac-West has also provided several training courses, including the topics of T-1 Testing (T-1 is a type of circuit that carries voice and data information), Criticism and Employee Discipline, Essential Supervision Skills, Personality Type Testing, and Providing 5-Star Service.

Pac-West recently completed an ETP Agreement (ET01-0129). The training proposed for this Agreement has a different focus than the training delivered as part of the first Agreement. The completed contract focused on entry-level learning for the following groups: Customer Service, System Design Technicians, Advanced Applications, Account Executive, Telephone Technician, and Employee Development. Employees received instruction covering the basics of their job functions. At the completion of the first contract, an assessment was performed, starting with the company's core product offering. Process improvements were suggested, tested, and implemented. The new processes reduced cycle time and the cost of goods sold by reducing the number of hand-offs between work groups from 78 to 19. The success realized from the initial ETP-funded training has prompted the company to apply for additional assistance in order to upgrade the skills of more employees.

Pac-West projects training expenditures of \$1.2 million in the two years following completion of ETP-funded training. Potential leaders for the next generation will be identified and developed through programs in strategic leadership. The technical staff, including Provisioners and Engineers, will receive technical training that allows them to develop and support the products of this next generation. All employees will receive additional development classes. The cost of training, including employees' salaries during periods of training, will be funded by the company.

In-Kind Contribution

Total In-Kind contributions will be \$490,193. Pac-West will pay \$440,193 in wages and benefits to trainees during training. An additional \$50,000 will be invested in training materials and compensation to training Staff not funded by ETP.

COMMENTS:

Turnover Rate Waiver Request

Title 22, California Code of Regulations, Section 4417, Secure Job, states in part that the Panel shall fund training for employment that is stable and that an employer's turnover rate shall not exceed 20 percent annually. The Panel may accept a higher turnover rate, if the employer provides evidence that it experienced a singular reduction in force or other occurrence, which adversely affected the turnover rate in the last calendar year.

Pac-West's turnover rate for 2001 calendar year at all of the participating sites was 45.2 percent, which was an anomaly, and Pac-West is requesting a waiver in accordance with the above regulation. The turnover rate for Pac-West in 2000 was 16 percent. The reduction in 2001 was one of several initiatives used to respond to the weakening economy and position the company for future growth. Businesses that

COMMENTS: (continued)

Pac-West serves were reluctant to invest in additional capital. Thus, Pac-West was forced to reduce its workforce by 160 full-time employees. Additionally, some sales staff went on to pursue other job opportunities. The proposed Pac-West Business Skills training plan will give the present sales staff the tools needed to be successful in this competitive market.

The company has been informed that the Agreement, if approved, would contain a provision that Pac-West will not earn the final 25 percent reimbursement unless the company achieves a turnover rate of 20 percent or less, for the last 12 months of the Agreement.

Frontline Workers

According to the Contractor's representative, 315 trainees in this Agreement are frontline workers, as defined under Title 22 California Code of Regulations, Section 4400(ee). They directly produce or deliver goods or services. The only Managers/Supervisors participating in this Agreement are 5 Supervisors representing 1.6 percent of the trainees. The 16 Field Account Managers, Account Executives and Project Managers do not manage employees; only accounts and projects and, therefore, qualify as frontline workers.

Training in High Unemployment Areas of California

This Agreement affects workers in San Joaquin County, which is a California county with a significantly high unemployment rate, i.e., exceeding the state average by 25 percent or more. Based on Employment Development Department (EDD) figures of August 2002, the specific unemployment rate in San Joaquin County is 8.1 percent; while the statewide rate is 6.2 percent. The applicant is not requesting a waiver of existing ETP minimum wage policy because the wages to be paid to trainees are high enough to meet the ETP minimum.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement, turnover waiver and Advanced Technology rate, if funding is available and the project meets Panel priorities, based on Pac-West Telecomm's statement that the upgrade of skills for its employees is necessary and will allow the company to operate at higher performance necessary for success in a business environment of rapid change and continuing technological evolution.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Jobs 1,4,6,7/ Retrainees	Advanced Technology Business Skills Computer Skills Continuous Improvement	232	80-120	0	0	\$1,040- \$1,600	*\$11.15- \$48.08
Jobs 2,3,5,8/ SET Frontline	Advanced Technology Business Skills Computer Skills Continuous Improvement	85	80-120	0	0	\$1,040- \$1,600	*\$20.27- \$31.25
<u>Health Benefit used to meet ETP minimum wage:</u> *Health Benefits of \$0.73 to \$3.32 will be added to trainee wages to meet the ETP minimum hourly wage of \$11.15 for San Joaquin County or \$20.27 for SET Frontline Workers.					<u>Range of Hourly Wages</u>		
					*\$11.15-\$48.08		
					<u>Average Cost Per Trainee</u>		
					\$1,427		
					<u>% of Mgrs & Supervisors to be trained</u>		
					1.6%		
					<u>Prevalent Hourly Wage</u>		
					\$19.23		
					<u>Turnover Rate</u>		
					45.2%		

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days

Class/Lab Hours

Job 1 & 2 80

Job 3 120

Trainees will receive any of the following:

BUSINESS SKILLS Jobs 1-4, 7 & 8

Communications Skills

- Effective Response
- Providing Proactive Service
- Resolving Complaints
- Consultative Negotiating Skills

Customer Service

- Customer-Focused Company
- Commitment to Service Effort
- Customer Satisfaction
- Customer Solution

Sales Techniques

- Market Segmentation
- Marketing Strategically
- Relationship Selling
- Product Planning

COMPUTER SKILLS Jobs 1-4

Software Applications

- Micro Soft (MS) Word (Beginning, Intermediate, Advanced)
- MS Excel (Beginning, Intermediate, Advanced)
- MS Access (Beginning, Intermediate)
- MS Project (Beginning, Intermediate)
- MS PowerPoint (Beginning, Intermediate)
- MS Outlook (Beginning)
- MS Visio (Beginning, Intermediate)
- MS Windows

Computer-Aided Design

Enterprise Resource Planning (ERP)

CONTINUOUS IMPROVEMENT Jobs 3 & 4

Project Management

Problem Solving

Fraud Awareness

Team Building

Group Facilitation

Working In Teams

Cross-Functional Teams

CONTINUOUS IMPROVEMENT (continued)

Team Effectiveness
Strategic Planning
Process Improvement
Leadership Skills
Creating a Positive Work Environment: Lessons from 'Fish'
Effective Leadership

ADVANCED TECHNOLOGY Jobs 5 & 6

Network Engineering
BCSI: Building Scalable Cisco Internetworks
BCMSN: Building Cisco Multilayer Switched Networks
CMPLS: Cisco Implementing Multi-Protocol Label Switching
CCNP (Cisco Certified Networking Professional) Boot Camp
CCNA (Cisco Certified Networking Associate) Boot Camp
Converging Voice and Data Networks
Cisco Security Specialist 1 Boot Camp
Internetworking with Transmission Control Protocol (TCP) on top of the Internet Protocol (IP).
Introduction to Routing Protocols
Internet and Network Communications
Network + Boot Camp
Alcatel 600E CLDC (Call Log Database Communications) Call Processing
Alcatel 600E 1320/1301
Alcatel 600E SX
Glenayre
Network Maintenance
Troubleshooting Transmission Control Protocol (TCP) on top of the Internet Protocol (IP) Networks
Understanding Networking Fundamentals
CiscoWorks 2000 Boot Camp
Hp OpenView Network Node Manager (I & II)
Software Development and Maintenance
UNIX
Extensible Markup Language
Oracle iDS (archival data) Forms: Build Internet Apps 6i R2 (I & II)
Oracle 9i Data Base Administration Fundamentals (I & II)
Oracle 9i Performance Tuning
Introduction to Oracle 9i: Structured Query Language
Oracle9i: Program with Picture Level/ Structured Query Language
Develop Picture Level/ Structured Query Language Program Units
Solaris 9
Introduction to Workflow Management Systems
Programming a Microsoft Structured Query Language Server 2000 Database
Introduction to Visual Basic .NET (A network) Programming
Cold Fusion Development